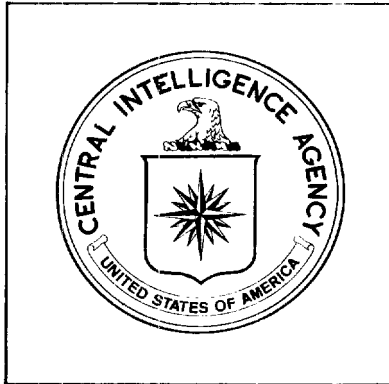


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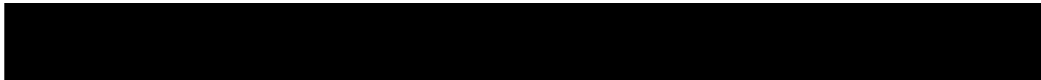
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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Middle East

Palestinians in Disarray

Leaders of the relatively moderate fedayeen groups that control the Palestine Liberation Organization--Fatah, Saiqa, and the Popular Democratic Front for the Liberation of Palestine--are increasingly apprehensive that Palestinian interests are being ignored in the current round of peace negotiations. As a result, they are again quarreling among themselves and with their major Arab supporters.

PLO Chairman Yasir Arafat, who for several months has placed his trust in Egyptian President Sadat's ability and willingness to bring the Palestinians into negotiations, on February 20 denounced Secretary Kissinger's latest efforts to find a Middle East settlement, and, by implication, Egypt's involvement in those efforts. Arafat charged that the US aim is to elicit token territorial concessions from Israel in Sinai and on the West Bank that would placate Egypt and Jordan and divide them from Syria and the Palestinians, who would receive nothing. With these criticisms, Arafat is attempting to ensure that Egypt and the US cannot ignore Palestinian interests indefinitely, and, at the same time, to deprive his Palestinian opponents of an opportunity to charge that his cooperation with Sadat is leading the Palestinians nowhere.

Despite this effort by Arafat, important figures in Saiqa, the Popular Democratic Front, the Palestine Liberation Army, and in Arafat's own Fatah organization will remain critical of Arafat and Egypt. They have recently been protesting Arafat's policies, both for their own purposes and at the instigation of Syrian leaders. Damascus is trying in a variety of ways to stimulate Arab pressures on Egypt to demand that some kind of assurances for Syria and the Palestinians be written into any new Egyptian-Israeli agreement.

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In an obvious attempt to assuage Palestinian sensibilities and bolster Arafat's position, Egypt last weekend called on the US and the USSR to invite the PLO to attend the Geneva talks. This move by Cairo, which previously had held that the question of Palestinian attendance should be settled after the Geneva talks resume, will at least temporarily relieve some of the pressure on Arafat, but it will not satisfy even his moderate Palestinian challengers.

To keep the heat on Egypt, Syria and the Palestinians have called for a summit meeting of Egyptian, Syrian, Jordanian, and Palestinian leaders to be held prior to Secretary Kissinger's next trip to the Middle East. The Syrians and Palestinians consider that they could use such a meeting to force their demands on Cairo before Egypt concludes a new agreement with Israel. Aware of this, the Egyptians would prefer to delay the quadripartite meeting still further. Originally, the meeting was to have been held in February at the foreign ministers level.

In an additional move to call attention to the Palestinian problem, fedayeen from the Popular Democratic Front attempted last weekend to cross from Lebanon into Israel near the Israeli village of Shtula. As the first such attempt in several weeks, the incident did not draw an Israeli reprisal, and seems unlikely to upset what has now become a de facto truce among the Lebanese, Israelis, and fedayeen. (CONFIDENTIAL)

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Oman

Financial Difficulties

The Omani government is financially over-extended and will require loans to meet the March army and government payroll. Saudi Arabia recently extended a \$58 million loan which should meet this month's requirements.

The government is seeking up to \$400 million from various Western banks. Initial approaches to British banking institutions were unsuccessful, but most observers expect Oman ultimately to get the loans.

Oman will receive an estimated \$1.1 billion in oil revenues in 1975, but a continued sluggish petroleum market could lower this figure and add to the government's financial problems. Oman may have lowered its price for oil by 7 percent on a recent occasion to induce a Japanese company to purchase all the oil allotted it.

The overall problem is attributable to large expenditures on economic and military projects, many of which are of questionable benefit to Oman's development or security. In addition, financial controls have been lax, and profiteering on government contracts seems to have reached new heights.

The Sultan's chief financial adviser is John Townsend, an Australian. Townsend's attempts to set up controls on expenditures have been resisted or circumvented by influential figures in the hierarchy. For example, Townsend has complained about the recent approval given to foreign affairs minister Zawawi to allocate money for "internal" development projects. [REDACTED]

[REDACTED] Zawawi is in league with two close advisers to the Sultan, Ghassan Shakir, a Saudi, and Yahya Omar, a Libyan. [REDACTED]

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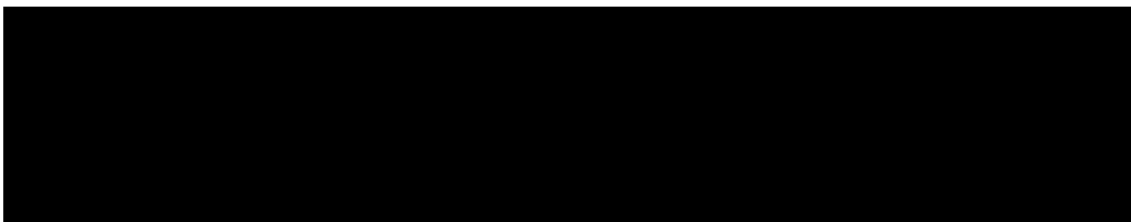
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The US embassy reported last May on the influence of these two men. Shakir is a former school mate of King Husayn of Jordan and a close friend of Saudi King Faysal's brother-in-law; his influence in the Omani palace stems in part from his effectiveness in foreign affairs. Shakir allegedly was instrumental in improving Saudi-Omani relations after Qabus took power in 1970. Omar was an influential figure in pre-Qadhafi Libya.

Both advisers spend most of their time abroad. Nevertheless, virtually all major contracts awarded by the palace are first checked out with them. Apparently no businessman can operate in Oman without their acquiescence and none can profit without their favor.



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Qabus' decision to use Omar and Shakir as personal advisers was deliberate. The Sultan considers them loyal and saw them as offering a way to lessen his theretofore heavy dependence on British advisers. Although Qabus recognizes that Omar and Shakir benefit financially from their influence, he accepts this situation because they have helped Oman gain the attention of the Arab world and the super powers. Qabus feels this attention might not have been gained had he chosen to remain exclusively under British influence.

Nonetheless, improvement in Oman's financial situation is unlikely as long as the government continues to do business in its customary fashion and as long as Qabus refuses to restrain the corrupt practices of his advisers. (SECRET NO FOREIGN DISSEM/BACKGROUND USE ONLY)



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